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Barthélemy, Louis C. J.

A Christmas gift for
Uncle Sam

[Tenafly, N.J.]

[1900]

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A Christmas Gift for Uncle Sam

NEARGOLD

THE LATEST THING IN SILVER



WRITTEN FOR THE DECEMBER MEETING OF THE
NEW YORK CHAPTER OF THE INSTITUTE OF
ACCOUNTS BY LOUIS C. J. BARTHÉLEMY



TO speak about Silver at the present time is a gruesome task, and savors somewhat of the duties of an undertaker. The cause of Free Silver was snowed under recently. Shall it be buried without a post-mortem examination? Can we dispense with the services of the Coroner? Shall no apology, if not a eulogy, be pronounced over its grave? It was dug many years ago, and the relentless assaults of its enemies, as well as the misdirected efforts of its friends, have brought it to this untimely end: indeed, over-zealousness on the part of its adherents gave it the *coup de grace*.

What could prompt us at this late hour to try to look for a spark of life in the cause of Silver, which appears absolutely discredited, and looms only on the horizon as the *bete noire* of the business man, who has been warned against its remonetization?

We should not forget that for centuries Silver has been used as money as well as Gold, and even at a period not far removed its relation to Gold was at a ratio much inferior to the standard of 16 to 1.

In the French language the word *argent* does not only mean silver, but also money, the French word *monnaie* signifying only change, small change. A man has *de l'argent* signifies he has money, he is possessed of means, which shows, as far as the French are concerned, how closely the silver metal is connected with the idea of money.

It seems, therefore, rather a harsh measure to have the noble metal entirely degraded and reduced to the ranks.

This feeling on my part is not one dictated by sentimentality, but merely by the desire I have to see the laws of political economy strictly adhered to. If, indeed, Silver has been dethroned from its high position as a money metal without due and proper cause, then it has suffered an injustice which affects the whole world, by reason of its reduced intrinsic value.

So much has been said and written on the subject that it would appear to fair-minded people that nothing more could be said in favor of Silver. It has been tried, and found wanting—in steady value.

The field remains divided in three camps: The Gold Monometalists, the Bimetallists, the Silverites pure and simple; and in order to thoroughly understand the position, let us analyze the claims of all three, and the objects they have in view.

The Gold Monometalists claim there can be but one standard; that it is impossible to have two; that man cannot serve two masters, etc.; consequently, they claim that Gold being the most valuable, considering its abundance, should be the only standard of value, Silver being merely an adjunct, to be used as fractional currency and small change, with but little more standing than Copper. Even if the supply of Gold should not be quite sufficient, they claim that it should serve, nevertheless, as the basis for money, on account of its stability, which gives commerce a firm standing and an unmovable standard.

The Silverites argue that Silver would still have its proportionate value to Gold at the ratio of 16 to 1, or thereabout, if it had not been unjustly legislated against. Let it again

enjoy the same privileges as of old, on the same footing as Gold, and it would again reach its standard value, they say, merely taking for granted that it suffers only from neglect and the disuse to which it has been relegated; but they do not offer any serious arguments or mathematical solutions, utterly disregarding the increased production which would surely follow increase in price, and overlooking the facilities we now have for extracting Silver from low-graded ores at a smaller cost than formerly.

Their object, however, in favoring the free and unlimited use of Silver as money is to counteract the effect resulting from the reduction of the volume of money when we have Gold alone as a tender for debts. They say that the movements of Gold can easily be controlled by the banks and financial institutions, and when they have to go to them for Gold for the settlement of their indebtednesses they have to submit to whatever terms are dictated to them. They want a money that cannot be controlled and cornered by any clique, and if they had their way, and Free Silver, they claim money would be abundant, and the fear of dear and tight money would be avoided and become impossible.

Of course, a thorough elucidation of what is meant by scarcity of money is absolutely necessary. Money is scarce when the demand upon the banks for loans exceeds the amounts available for that purpose. The rule of supply and demand regulates that, the Gold Monometalists will say. On the other hand, the Silverites claim that Silver being practically demonetized, the amounts available for the needs of the mercantile and industrial community are thus proportionately reduced, and the value of the Gold dollar increased, the working of the matter being about the same as if we all at once discarded

cotton in the use of wearing apparel, and proceeded to use only wool. Cotton would fall in price, and the value of wool would be enhanced by the greater demand made upon the staple, and if the production of wool did not keep up with the ever-increasing demand for woollen clothes, what would be the result? Some men who would find difficulty in obtaining the quantity of wool they required would simply wish to return to the use of an article which, though perhaps not as well adapted as wool, nevertheless was a first-class substitute.

The claims of Free Silver may be plainly stated to have in view to render impossible a cornering of the Gold or money by the banks and financiers by keeping money easy whenever needed.

What practical means do they offer to reach that end? None, except their absolute faith and reliance on a prospective rise, as soon as Silver is restored to its place as a money metal.

Well, some means have been tried to keep up the price of Silver, but they were only makeshifts—halfway measures, suggested by politicians of both parties, who had little knowledge of the matter, and treated it as a vote-catching scheme. Laws were passed ordering monthly coinage of Silver, monthly purchases of such and such specified quantities, but nothing could steady up the prices, which kept falling and falling, the production increasing as the prices rose, and Uncle Sam had to stop buying, because he could not keep it up.

On the one side the Gold advocates point to that fact as the proof that Silver has undoubtedly deteriorated in value, and cannot be maintained at the standard ratio. The Silverites say that the experiment has not been sufficient and complete, and that nothing short of absolute free and unlimited coinage can rehabilitate Silver.

But the people, relying on the representations of the financial authorities of the nation—bankers, presidents and managers of all kinds of financial institutions, insurance companies, trust companies, etc.—have given a death blow to Silver, and thereby the cause of Bimetallism finds itself endangered, if not completely lost. The Bimetallist stands between the two extremes, and seeks to preserve the usefulness of Silver as a money metal by trying to keep it upon a certain parity with Gold. But their efforts have been vain, and the blow dealt to Free Silver seems to have endangered their chances very much.

It will be admitted without fear of contradiction that very little has been suggested in the way of remedies or tactics to pursue for the rehabilitation of Silver. The men who would be more likely to solve that problem prefer devoting their attention to more lucrative operations, and but few bankers give any time to the solution of themes when no profit is in sight. On the other hand, when politicians and law-makers start to finger financial problems they treat the matter as a question of opportunism, and looking for the solution which is conducive to most votes.

A doubt has risen in my mind as to the complete annihilation of Silver, and I have wondered whether perhaps there might not be left in that corpse a spark of vitality which some simple surgical operation could accentuate, bringing it back to life. After looking over the methods pursued in the treatment of Silver, I came to the conclusion that means had not been exhausted as yet.

Think of the millions of dollars in Silver coin which the United States are able to keep up at their par value with Gold at the ratio of 16 to 1, simply because of the implied assurance that they can be exchanged for Gold at any time, and which

would have only half their value if deprived of Uncle Sam's seal! What gain it would prove for the nation if these millions could be boosted up to their face value without having to rely on the Gold redemption scheme!

It would certainly be a boon, but there is no great incentive for financiers to work out schemes, the profit of which does not accrue directly to their own pockets, and consequently the task has been abandoned to the mercies of the politicians, who have treated it with the result we know of. Silver is now worse off than ever, and if the free coinage party had been successful it would not have fared much better, *unless* they had a plan in view which has not been revealed as yet.

I doubt they have any, except some vague notion that free and unlimited coinage would raise the price of Silver to its former level, working on the plan of more demand, higher price; but they have to contend then with the increased production. The problem is, then:

How can you bring back the value of the metal in a Silver Dollar to be One Dollar Gold, being at the rate of \$1.29.29 per ounce, and keep it there?

How could you have free and unlimited coinage of Silver at the ratio of 16 to 1 without awaiting the consent of other nations?

In order to arrive at a solution, I have had to wander from the beaten track entirely. As you are aware, no thorough remedy has been proposed and published, beyond the purchasing of bullion and regular limited monthly coinage. I came to the conclusion that the stumbling-blocks were:

(1.) *Threatened importation of foreign Silver, concerning which we could do nothing, all International Congresses having had but negative results.*

(2.) *Increased production at home, which would surely follow rise in price.*

To solve these two points was my aim.

In order that the United States be in a position to keep up the price of its Silver without waiting for the co-operation of other nations, it is necessary to keep out the influx of foreign Silver bullion by taxing it, but owing to Silver not being a common staple article or merchandise, it could not properly be taxed by a fixed duty of so much per ounce, and *ad valorem* duty, fluctuating with the market price of the metal, would be more effective; and by figuring it on the basis of the difference between bullion value and standard coinage value, it would bring the imported metal to the full value of \$1.29.29 per ounce.

It can be accomplished in the following manner:

The Secretary of the Treasury would weekly—say every Monday—figure the average price of Silver for the preceding week by taking the quotations of the London market (the most important in the world), and decree that for the running week the duty on Silver would be, say, 64 cents per ounce. Thus the ounce of Silver imported would be worth \$1.29.29, being represented partly by the bullion itself, partly by the duty paid into the Treasury.

No foreign Silver to be coined in the United States; only such as is, by the production of certificates of origin, clearly proven to be mined at home. The effect of this rule would be to prevent the desire to smuggle Silver for coinage purposes, which, otherwise, would surely result in face of a high duty. The small quantities of smuggled Silver would have to compete with home Silver for use in the trades and arts alone, but would be rather at a disadvantage.

Foreign Silver can thus be effectively kept out, and its importation in transit, for the purpose of refining and smelting, can be easily regulated. The arrangements now in force in the Custom House for the collection of the tax on Lead, could be extended to Silver.

There is a large industry in the United States which devotes considerable energy to the refining of foreign ores; the law would have to be carefully framed, not to interfere with such an important branch of industrial enterprise, but it could, nevertheless, be effective, and a plan could be devised, by placing the matter under the supervision of the Internal Revenue, who would control the output of Silver bullion from foreign ores very much after the method employed for spirits, and making due allowance for loss in refining, smelting, etc.

Foreign Silver coins would have to be traced also, but the matter would present very little difficulty, as the Department of Statistics in the Custom House keeps track of all such imports and exports. Dealers in such coins, bullion brokers, etc., would become bonded warehouses for foreign Silver coins, and would be required to pay tax only on such portions of their holdings as they had disposed of in the country.

Silverware and ornaments would be subject to the tax of importation, as fixed weekly by the Treasury, the tax being fixed on the date of arrival, and not on date of withdrawal from the Custom House.

In the above-described *modus operandi* all imported Silver, whether bullion, coin or objects of art, would pay the tax that would bring its value to the standard of \$1.29.29 per ounce, the United States Treasury keeping the proceeds of such receipts under a separate account, which would become the general guarantee fund for the protection of the ratio of Silver to Gold.

We can thus dispose of the foreign Silver metal, which we have a perfect right to tax, as long as the other nations continue to despise it, and we could make a proviso that whenever a foreign nation will agree to protect its production of Silver and its holdings in a manner similar to ours, or equally efficacious, we could enter into some reciprocity treaty, and treat its Silver as favorably as our home product.

We now come to proposition number two, regarding home production, which would largely increase in proportion to rise in price. We can effectively shut out foreign competition. How can we possibly have free and unlimited coinage with the prospects of an enormously increased production at home?

If one ounce of Silver can be extracted from American mines and delivered at the mint at an expense of 30 cents to 40 cents, and the government were to give \$1.29.29 in Gold, or its equivalent, for one ounce of Silver, why, the government would not be running very long on a Gold basis, and surely we would then have a so-called fifty-cent dollar. This is the generally accepted idea of free and unlimited coinage of Silver.

Now, this crude method could not possibly attain the desired effect that the Silverites have in view. Even after shutting out foreign metal, it would be impossible to keep up the parity of Silver to Gold, in view of the increased production.

How could this be regulated, and yet remain free and unlimited coinage?

The word *free* in this case must be taken in a broad sense, and we will say that all owners of American mines or holders of American-mined bullion will be free to compete for the privilege of having their Silver coined at the United States mint; and *unlimited* coinage can only be as unlimited as things human can be, which means that however unlimited we may

proclaim our efforts, our endeavors, our aims, they are but a spark in matter of time and duration; they are but a grain of sand in volume; but a puff of smoke in effects and results.

Unlimited coinage, under any conditions, will always be limited to the capacity of coining by the mints of the country, but there should be nothing in the law limiting the amount to be coined—that is what is meant by unlimited coinage.

If there were no competitions it would be very difficult to arrange the question of precedence, and almost impossible to determine who should be the first to have his bullion turned into coin.

To reach a proper, business-like method, it would be necessary for the Secretary of the Treasury to publish, at the beginning of every month, the amount of Silver it would be possible to have coined during the month, and asking for tenders from mine owners and holders of bullion of American extraction, and such as will offer the largest amount of grains of Silver in excess of 412½ grains, will receive the dollar.

The owner of American Silver bullion, knowing how much he can get for his bullion as metal for the arts, either in New York or London, will offer the Treasury an excess of grains of silver as premium that would very nearly reach the amount of duty imposed on the foreign article.

In this way the Silver dollar would be composed of the 412½ grains, plus the balance held as reserve in the Treasury.

There would be no need to increase the ratio from 16 to 1 to 20 to 1, or 25 to 1, or 32 to 1, as some claim, and the advantage would be obvious, as there would be no need to increase the weight and size of the present dollar, the intrinsic value of which would be at the rate of \$1.29.29 per ounce.

The coined free Silver now in the Treasury—that is, such Silver dollars that are not held as reserve against Silver certificates—could be paid out against the bullion deposited by mine owners. The stock of bullion would be increased, and, if judged proper policy, the Treasury could be authorized to sell some of it against Gold, when favorable opportunity should arise and a demand created for it by scarcity of Silver bullion, or otherwise.

In order to be very conservative, it would be proper at the start to keep up a certain proportion of coinage of Gold and Silver, making it Bimetallism, and the Treasury could state that if in any one month there has been coined x millions of Gold, then in the ensuing month there shall be coined y millions of Silver, in a certain proportion, to be determined by Congress.

The mode of competition above described is about the only possible way to have anything like free and unlimited coinage. I fail to find that any mode of procedure has been even suggested.

There is nothing fantastic or imaginary in the proposition. It is simple, and is applied to Gold. For instance, when the government issues bonds to rebuild its Gold reserve, the largest premium in Gold paid on the bonds obtains the preference. In the case of Silver, the one who offers the largest premium in Silver gets the Silver dollar.

It might be issued also in the shape of a certificate, stating that the bearer is entitled to one Silver dollar, or bullion to the value of one dollar, at market rate.

If we succeed in making a Silver dollar look like a dollar's worth of Silver, instead of fifty cents, the cause of Silver will take another lease of life, and even those who have been its most bitter enemies, will gladly greet its restoration.

You know we need it. We need more small change and small bills every season. The latter are in demand for moving the crops, and it is almost through favor only that merchants and manufacturers can obtain the amounts they need regularly to make up their pay rolls.

Thus its need is apparent, and as soon as the proper method of handling it is ascertained and put into practice, it will prove a boon to the community, instead of a lurking monster, as it becomes through the misrepresentations of its enemies and the clumsy efforts of its advocates.

In our time people look with favor upon the ideas and principles of evolution and transition, and maybe Silver will have a glorious resurrection after an ignominious demise.

LOUIS C. J. BARTHÉLEMY.

Tenafly, New Jersey,
November, 1900.



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